



**SUMMARY REPORT
THIRD PARTY COMPLAINT
NBG TOO, S.A. (GUATEMALA)**

On November 11, 2015, the Fair Labor Association (FLA) accepted for review a Third Party Complaint filed by a representative of the union in formation Sindicato de Trabajadores y Trabajadoras de NBG TOO, S.A., affiliated with the Central General de Trabajadores de Guatemala (CGTG). NBG TOO, S.A. (hereinafter NBG TOO) was a sewing factory located in Guatemala that suddenly terminated its operations at the end of March 2015. The complainant alleged that when the factory closed, it owed workers for approximately six weeks of wages plus accrued vacation, prorated 14th month bonus, and other statutory benefits. Workers also did not receive severance payment due them under national law. The complainant further alleged that FLA-affiliated company PVH was a buyer at the factory, as product under PVH's brand Tommy Hilfiger was produced at the factory during the period immediately before the closure.

There was lack of clarity on whether (1) the Tommy Hilfiger production referenced in the complaint was produced directly by PVH or by licensee; and (2) the production of Tommy Hilfiger product at NBG TOO had been authorized or represented unauthorized production.

In order to clarify the above questions and determine whether PVH and its affiliated brands were in compliance with Principles of Fair Labor & Responsible Sourcing 5.2, "Monitoring of contract facilities regularly to assess compliance," and 7.1, "Providing regular follow-up and oversight to implement corrective action following assessments," the FLA accepted the complaint for review at Step 2 of the Third Party Complaint process. Pursuant to Step 2, the Participating Company or College or University Licensee has up to 45 days to investigate the alleged noncompliance internally and inform the FLA.

Assessment by PVH

PVH determined that the Tommy Hilfiger production referenced by the complaint was done on behalf of a licensee, Fishman & Tobin. PVH requested that Fishman & Tobin investigate the allegations. Fishman & Tobin, through its parent company Global Brands Group (GBG), investigated the allegations and determined that although NBG TOO was not an approved factory for Tommy Hilfiger product, nevertheless unauthorized production had taken place at the factory in early 2015. A third party investigator engaged by GBG was unable to make a definitive determination of the volume of Tommy Hilfiger product sewn at NBG TOO, as the factory's records were not available. Based on best available information, the investigator made an estimate of Tommy Hilfiger production that was discussed between GBG and the complainants. GBG made a monetary contribution to the welfare fund for former NBG TOO workers that the union accepted, thereby mooting the substance of the complaint.

FLA Assessment

In the current case, Fishman & Tobin/GBG lost track of PVH-licensed production that wound up at an unauthorized supplier, NBG TOO. In general, buyers need to ensure that their policies and practices are adequate to maintain control over production and, when control is lost, to react promptly in order to carry out their obligations to workers embodied in their codes of conduct.

The intervention of PVH and its supply chain partners led to a monetary contribution by GBG to the welfare fund of the NBG TOO workers intended to assist them through the difficult adjustment period after the closure of the factory where they worked. This contribution has been acknowledged and accepted by the complainants.

The FLA's policy on "scope of affiliation" for member companies is undergoing a revision as part of a larger Accountability and Transparency plan adopted by the FLA Board of Directors in February 2016. The current policy does not explicitly include affiliated companies' licensees in the scope of third-party complaints, leaving a gap in the FLA's complaint mechanism that needs to be filled.